

Jasper Township

Fayette County

January 1, 2008 through December 31, 2009

Years Audited Under GAGAS: 2008 and 2009

CAUDILL & ASSOCIATES, CPA'S

725 5TH Street

Portsmouth, OH 45662



Mary Taylor, CPA

Auditor of State

Board of Trustees
Jasper Township
7790 State Route 729 N.W.
Washington Court House, Ohio 43160

We have reviewed the *Independent Auditor's Report* of Jasper Township, Fayette County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Jasper Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 10, 2010

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Jasper Township
Fayette County
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For the Years Ended December 31, 2009 and 2008

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Independent Auditor's Report

Jasper Township
Fayette County
7790 State Route 729 N.W.
Washington Court House, Ohio 43160

To the Township Board of Trustees:

We have audited the accompanying financial statements of Jasper Township, Fayette County, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Jasper Township, Fayette County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Jasper Township
Fayette County
Independent Auditor's Report

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Caudill & Associates, CPAs

Caudill & Associates, CPA's
June 25, 2010

Jasper Township
Fayette County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2009

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 10,447	\$ 30,134	\$ 40,581
Licenses, Permits and Fees	-	9,317	9,317
Intergovernmental	36,933	92,516	129,449
Earnings on Investments	454	129	583
Miscellaneous	463	3,350	3,813
	<u>48,297</u>	<u>135,446</u>	<u>183,743</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	88,977	804	89,781
Public Safety	12,950	-	12,950
Public Works	18,835	141,242	160,077
Health	5,791	10,702	16,493
Capital Outlay	7,000	6,947	13,947
Debt Service:			
Redemption of Principal	10,000	-	10,000
Interest and Fiscal Charges	1,395	-	1,395
	<u>144,948</u>	<u>159,695</u>	<u>304,643</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	(96,651)	(24,249)	(120,900)
Fund Cash Balances, January 1	<u>428,874</u>	<u>213,214</u>	<u>642,088</u>
Fund Cash Balances, December 31	<u>\$ 332,223</u>	<u>\$ 188,965</u>	<u>\$ 521,188</u>

The notes to the financial statements are an integral part of this statement.

Jasper Township
Fayette County
*Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances*
All Governmental Fund Types
For the Year Ended December 31, 2008

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 10,353	\$ 30,211	\$ 40,564
Licenses, Permits and Fees	-	14,747	14,747
Intergovernmental	456,284	100,158	556,442
Earnings on Investments	466	267	733
Miscellaneous	466	2,510	2,976
Total Cash Receipts	<u>467,569</u>	<u>147,893</u>	<u>615,462</u>
Cash Disbursements:			
Current:			
General Government	72,289	-	72,289
Public Safety	7,000	-	7,000
Public Works	-	81,188	81,188
Health	4,192	8,390	12,582
Capital Outlay	2,439	1,015	3,454
Debt Service:			
Redemption of Principal	10,000	-	10,000
Interest and Fiscal Charges	2,088	-	2,088
Total Cash Disbursements	<u>98,008</u>	<u>90,593</u>	<u>188,601</u>
Total Receipts Over/(Under) Disbursements	369,561	57,300	426,861
Fund Cash Balances, January 1	<u>59,313</u>	<u>155,914</u>	<u>215,227</u>
Fund Cash Balances, December 31	<u>\$ 428,874</u>	<u>\$ 213,214</u>	<u>\$ 642,088</u>

The notes to the financial statements are an integral part of this statement.

Jasper Township
Fayette County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Jasper Township, Fayette County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees governs the Township. The Township provides general government services, including road and bridge maintenance and cemetery maintenance. The Township contracts with SRWW #2 Joint Fire District and Jefferson Township for fire protection services.

The Township's management believes the financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters, as the Auditor of State prescribes or permits.

C. Cash Deposits

The Township invests all available funds in an interest-bearing checking account and savings account with a local commercial bank.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds of specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Road and Bridge Fund - This fund receives property tax money to pay for constructing, maintaining, and repairing Township roads.

Jasper Township
Fayette County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Cemetery Fund - This fund receives money for burials and opening and closing of graves to pay for cemetery maintenance.

Permissive Motor Vehicle License Tax Fund - This fund receives proceeds from the tax levied on all motor vehicle licenses sold in the Township for road maintenance and repairs.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over and need not be reappropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Note 2 – Equity in Pooled Cash and Investments

The Township maintains a cash and investment pool that all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2009</u>	<u>2008</u>
Demand Deposits	\$521,188	\$642,088

Jasper Township
Fayette County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 2 – Equity in Pooled Cash and Investments (Continued)

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$22,586	\$48,297	\$25,711
Special Revenue	124,334	135,446	11,112
Total	\$146,920	\$183,743	\$36,823

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$526,718	\$144,948	\$381,770
Special Revenue	262,291	159,695	102,596
Total	\$789,009	\$304,643	\$484,366

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$464,768	\$467,569	\$2,801
Special Revenue	125,972	147,893	21,921
Total	\$590,740	\$615,462	\$24,722

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$125,057	\$98,008	\$27,049
Special Revenue	239,638	90,593	149,045
Total	\$364,695	\$188,601	\$176,094

Note 4 - Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

Jasper Township
Fayette County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 4 - Property Tax (Continued)

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

Note 5 - Retirement Systems

The Township's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include post-retirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

Note 6 - Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. APEEP provides supplemental risk coverage for claims exceeding OTARMA claims coverage.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the OTARMA Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust APEEP's retained earnings, APEEP provides "excess of funds available" coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Jasper Township
Fayette County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 6 – Risk Management (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	12,981,818	13,357,837
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and net assets above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2009	\$3,187
2008	4,392
2007	4,207

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Jasper Township
Fayette County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 7 – Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest</u> Rate
General Obligation Notes	\$10,000	5%

The general obligation notes were issued to finance the construction of a new township building. The note is collateralized solely by the Township’s taxing authority.

Amortization of the loan, including interest, is scheduled as follows:

For the Year Ended		
<u>December 31:</u>	<u>Principal</u>	<u>Interest</u>
2010	\$10,000	\$687

Note 8 – Compliance

Contrary to Ohio Revised Code Section 505.24, the Township paid Trustees from funds other than the General Fund without properly documenting time spent on work allocable to other funds.

Contrary to Ohio Revised Code Section 5705.36, the Township did not properly file amended certificates of estimated resources when deficient revenues caused available resources to fall below the current level of appropriation.

Contrary to Ohio Revised Code Section 5705.41(D), the Township did not properly certify the availability of funds prior to obligations.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Jasper Township
Fayette County
7790 State Route 729 N.W.
Washington Court House, Ohio 43160

To the Township Board of Trustees:

We have audited the financial statements of Jasper Township, Fayette County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 25, 2010, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-004 and 2009-005 described in the accompanying schedule of findings and responses to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2009-006 and 2009-007 described in the accompanying schedule of findings and responses to be significant deficiencies.

Jasper Township
Fayette County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 25, 2010.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.

Caudill & Associates, CPAs

Caudill & Associates, CPA's
June 25, 2010

Jasper Township
Fayette County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

Finding Number 2009-001

Noncompliance – Allocation of Trustees’ Salaries

Ohio Revised Code Section 505.24(C) permits trustees to receive annual salaries instead of per diem payments. OAG Opinion 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to restricted township funds based on the kinds of services rendered. The “administrative procedures” can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from the restricted funds.

The Township pays its Trustees from multiple funds and the Trustees track how their time is spent. However, the Fiscal Officer does not utilize these time records in determining how salaries will be allocated among funds. Salaries are haphazardly paid from funds without a formal allocation method in place. The Township should incorporate time keeping records maintained by the Trustees into the payroll process to ensure that Trustees are paid from the appropriate funds in accordance with state statute.

Township Response:

Will now issue payments according to time spent on time sheets.

Finding Number 2009-002

Noncompliance – Appropriations in Excess of Available Resources

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Instances were identified where appropriations were in excess of available resources. Failure to properly monitor budgetary information subjects the Township to the risk of spending in excess of available resources. The Township should implement monitoring procedures to ensure that budgetary information is amended as necessary to ensure that overspending does not occur and obtain a reduced certificate of estimated resources when it is determined that actual receipts will be less than estimated causing available resources to fall below the current level of appropriations.

Township Response:

Will keep track of money received and appropriations and see if any amendments need made.

Jasper Township
Fayette County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

Finding Number 2009-003

Noncompliance – Proper Encumbrance of Funds

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Seventy-three percent of non-payroll disbursements tested in 2008 and eighty-one percent in 2009 were not encumbered prior to commitment in accordance with the Ohio Revised Code. Failure to properly encumber funds subjects the Township to the risk of expenditure or commitment to expend for items unauthorized or unallowable. The Township should adopt the appropriate procedures to ensure that encumbrances are certified timely in accordance with the Ohio Revised Code, or that exceptions are utilized as appropriate.

Township Response:

Fiscal Officer will make changes to use “super blankets” and “then and now” certificates as appropriate for expenses needed for the Township.

Finding Number 2009-004

Material Weakness – Budgetary Information Within the Accounting System

Proper classification of budgeted receipts and disbursements is pertinent to a properly functioning control environment. Officials of the Township rely on information recorded within the UAN system to make spending and budgeting decisions. Variances were identified between the Township’s formally approved budgetary documents and the information within its accounting system. Failure to properly input and update budgetary information within the accounting system subjects the Township to the risk of decision-making based on erroneous information that could result in adverse results. We recommend the Township review budgeting and accounting processes and implement the appropriate steps to ensure that budgeted information included within the accounting system is in agreement with formal approved documents.

Township Response:

Will periodically double-check balances in system to ensure they agree with information filed with County.

Jasper Township
Fayette County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

Finding Number 2009-005

Material Weakness – Misclassification of Receipts and Disbursements

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 115 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. The Township erroneously posted several receipts and disbursements to incorrect line items and, in limited instances, improper funds. This required reclassifications and adjustments to properly present the activity of the Township in both years. The Township should implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Township Response:

Will make sure all funds and money is properly classified.

Finding Number 2009-006

Significant Deficiency – Approval of Timesheets by Supervisors

Employees that are not paid on a salaried basis and that do not serve in a supervisory capacity should be subject to timesheet reviews by supervisors to ensure that reported hours are accurate and in accordance with allotted hours. The Township has employees that are paid on an hourly basis. These employees prepare and submit timesheets for payment. However, there is no indication, such as signature and date of a supervisor, that hours are reviewed and approved. Failure to have timesheets reviewed and approved by management of employees subjects the Township to the risk of payment to employees based on inaccurate or unauthorized hours. The Township should implement control procedures, such as signature and date of supervisors, to indicate that reported hours are accurate and authorized.

Township Response:

Will ensure that timesheets are initialed by Trustees.

Finding Number 2009-007

Significant Deficiency – Bank Statements

Maintenance of Township records is pertinent in ensuring the perpetuity of Township history. Maintaining a full set of records also ensuring a proper audit trail. The Fiscal Officer utilizes online statements to balance her accounting records to the bank. As such, the Township no longer received paper statements. Although she printed and maintained the screens displaying banking activity for each month, images of cancelled checks were not printed and maintained. Failure to obtain and review cancelled checks or images thereof is deemed necessary to provide reasonable assurance as to the absence of fraudulent activity or errors in disbursements. Failure to review cancelled check images also subjects the Township to the risk of fraud or unauthorized spending. Furthermore, the Township should request its financial institution to send paper copies of bank statements for proper record-keeping and should review the front and back of cancelled checks or images thereof for alteration or other evidence of fraudulent activities.

Township Response:

Contacted bank. They are now sending bank statements and copies of cancelled checks.

Jasper Township
Fayette County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2009 and 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Noncompliance – ORC 5705.39 – appropriations in excess of estimated resources	Yes	N/A
2007-002	Noncompliance – ORC 5705.36 – appropriations in excess of available resources	No	Reissued as Finding 2009-002
2007-003	Noncompliance – ORC 505.24 – allocation of trustees’ salaries	No	Reissued as Finding 2009-001
2007-004	Noncompliance – ORC 5705.41(D) – proper encumbrance of funds	No	Reissued as Finding 2009-003
2007-005	Noncompliance – ORC 5705.10 – negative fund balances	Yes	N/A
2007-006	Significant deficiency – approval of timesheets	No	Reissued as Finding 2009-007

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Mary Taylor, CPA
Auditor of State

JASPER TOWNSHIP

FAYETTE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 23, 2010**